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Tomson Group

TOMSON GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 258)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2022

The Board of Directors (the “Board”) of Tomson Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December, 2022 together with comparative figures for the corresponding year of 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 31st December	
		2022	2021
		HK\$'000	HK\$'000
Gross proceeds from operations	4&5	533,078	787,012
Revenue	4	460,049	779,066
Cost of sales		(145,710)	(102,602)
Gross profit		314,339	676,464
Net gain on financial assets at fair value through profit or loss		8,161	12,838
Other income		136,081	163,245
Other gains and losses	6	(27,605)	10,960
Selling expenses		(86,306)	(120,368)
Administrative expenses		(112,547)	(129,619)
Loss on fair value changes of investment properties		(75,204)	(3,540)
Finance costs	7	(14,835)	(22,270)
		142,084	587,710
Share of results of associates		(234)	(552)
Share of result of a joint venture		(15,289)	1,342
Profit before taxation	8	126,561	588,500
Taxation	9	(107,806)	(297,027)
Profit for the year		18,755	291,473
Profit for the year attributable to:			
Owners of the Company		17,168	283,448
Non-controlling interests		1,587	8,025
		18,755	291,473
Earnings per share (HK cents)	11		
– Basic		0.87	14.38

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

	Year ended 31st December	
	2022	2021
	HK\$'000	HK\$'000
Profit for the year	18,755	291,473
	<hr/>	<hr/>
Other comprehensive (expense) income		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange difference arising from translation of:		
– subsidiaries	(1,055,229)	401,881
– a joint venture	(14,822)	6,065
– associates	(804)	284
Reclassification adjustment from foreign currencies translation reserves:		
– release upon liquidation of an associate	(27)	–
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on equity instruments at fair value through other comprehensive income (net of deferred tax)	33,180	35,264
	<hr/>	<hr/>
Other comprehensive (expense) income for the year	(1,037,702)	443,494
	<hr/>	<hr/>
Total comprehensive (expense) income for the year	(1,018,947)	734,967
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive (expense) income attributable to:		
Owners of the Company	(1,004,197)	720,714
Non-controlling interests	(14,750)	14,253
	<hr/>	<hr/>
	(1,018,947)	734,967
	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31st December	
		2022 HK\$'000	2021 HK\$'000
Non-Current Assets			
Fixed assets			
– Investment properties		7,794,927	8,598,847
– Property, plant and equipment		378,119	229,732
Goodwill		33,288	33,288
Interests in associates		9,222	13,962
Interest in a joint venture		153,036	183,147
Club debentures		515	515
Equity instrument at fair value through other comprehensive income		312,824	293,452
Pledged bank deposit		55,143	84,172
Other receivable		–	2,361
		8,737,074	9,439,476
Current Assets			
Properties under development		4,420,814	4,734,530
Properties held for sale		1,410,039	1,573,112
Trade and other receivables and prepayments	12	208,876	222,781
Financial assets at fair value through profit or loss		36,724	101,593
Inventories		3,369	3,754
Bank deposit		12,347	13,490
Cash and bank balances		3,966,071	4,445,869
		10,058,240	11,095,129
Current Liabilities			
Trade and other payables and accruals	13	796,136	709,464
Lease liability		4,209	7,536
Contract liabilities		121,653	208,603
Tax liabilities		3,796,411	4,200,054
Borrowing		26,939	29,433
		4,745,348	5,155,090
Net Current Assets		5,312,892	5,940,039
Total Assets Less Current Liabilities		14,049,966	15,379,515

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	As at 31st December	
	2022	2021
	HK\$'000	HK\$'000
Capital and Reserves		
Share capital	985,512	985,512
Share premium and reserves	11,402,835	12,515,438
Equity attributable to owners of the Company	12,388,347	13,500,950
Non-controlling interests	318,235	337,485
Total Equity	12,706,582	13,838,435
Non-Current Liabilities		
Other payables	15,544	23,194
Lease liability	–	4,209
Borrowing	215,512	264,900
Deferred tax liabilities	1,112,328	1,248,777
	1,343,384	1,541,080
	14,049,966	15,379,515

Notes:

1. The Audit Committee of the Board of the Company has reviewed the consolidated financial statements of the Group for the year ended 31st December, 2022.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1st January, 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions beyond 30th June, 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 37 Amendments to HKFRSs	Onerous Contracts – Cost of Fulfilling a Contract Annual Improvements to HKFRSs 2018-2020
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The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new HKFRS and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-Current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1st January, 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1st January, 2024.

The Directors of the Company anticipate that the application of all above new HKFRS and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

4. GROSS PROCEEDS FROM OPERATIONS AND REVENUE

Revenue represents the aggregate of revenue under the following headings:

- (i) Property investment
– represents revenue from property management and rental income
- (ii) Property development and trading
– represents gross revenue received and receivable from sale of properties
- (iii) Leisure
– represents the income from golf club operations and its related services
- (iv) Media and entertainment
– represents the gross revenue received and receivable from investment in the production of live entertainment shows, film distribution and related income

Gross proceeds from operations include the gross proceeds from sale of and dividend income received and receivable from financial assets at fair value through profit or loss ("FVTPL") under the business of securities trading, in addition to the above aggregated revenue.

4. GROSS PROCEEDS FROM OPERATIONS AND REVENUE (continued)

Revenue and gross proceeds from each type of business consist of the following:

	2022 HK\$'000	2021 HK\$'000
Revenue from sale of properties	164,374	435,487
Revenue from rendering of services from golf club operations	44,994	63,487
Revenue from property management fee	31,428	40,723
Revenue from media and entertainment business	367	829
	<hr/>	<hr/>
Revenue from contracts with customers	241,163	540,526
Revenue from lease payments that are fixed	218,886	238,540
	<hr/>	<hr/>
Total revenue	460,049	779,066
Gross proceeds from sale of and dividend income from financial assets at FVTPL	73,029	7,946
	<hr/>	<hr/>
Gross proceeds from operations	533,078	787,012

5. SEGMENT INFORMATION

The Group's operating and reportable segments are based on information reported to the chief operating decision makers, the executive Directors of the Company, for the purposes of resources allocation and performance assessment. In addition to those set out in Note 4(i) to (iv), the Group's operating segments under HKFRS 8 "Operating Segments" include securities trading segment which is dealing in financial assets at FVTPL.

	Property Investment HK\$'000	Property Development and Trading HK\$'000	Leisure HK\$'000	Media and Entertainment HK\$'000	Securities Trading HK\$'000	Total HK\$'000
2022						
GROSS PROCEEDS FROM OPERATIONS						
– SEGMENT REVENUE	<u>250,314</u>	<u>164,374</u>	<u>44,994</u>	<u>367</u>	<u>73,029</u>	<u>533,078</u>
RESULTS						
Segment profit (loss)	<u>94,780</u>	<u>4,048</u>	<u>(8,923)</u>	<u>(650)</u>	<u>7,984</u>	97,239
Other unallocated income						136,108
Unallocated expenses						(76,428)
Finance costs						(14,835)
						<hr/>
						142,084
Share of results of associates						(234)
Share of result of a joint venture						(15,289)
						<hr/>
Profit before taxation						<u>126,561</u>

5. SEGMENT INFORMATION (continued)

	Property Investment HK\$'000	Property Development and Trading HK\$'000	Leisure HK\$'000	Media and Entertainment HK\$'000	Securities Trading HK\$'000	Total HK\$'000
2021						
GROSS PROCEEDS FROM OPERATIONS						
– SEGMENT REVENUE	<u>279,263</u>	<u>435,487</u>	<u>63,487</u>	<u>829</u>	<u>7,946</u>	<u>787,012</u>
RESULTS						
Segment profit (loss)	<u>178,676</u>	<u>277,287</u>	<u>12,892</u>	<u>(622)</u>	<u>12,580</u>	480,813
Other unallocated income						173,507
Unallocated expenses						(44,340)
Finance costs						(22,270)
						<u>587,710</u>
Share of results of associates						(552)
Share of result of a joint venture						1,342
						<u>588,500</u>

Except for the presentation of segment revenue which is different from the reported revenue in the consolidated statement of profit or loss, the accounting policies of the operating segments are the same as the Group's accounting policies. For details of revenue from each type of business and reconciliation of segment revenue to the Group's revenue of HK\$460,049,000 (2021: HK\$779,066,000), please refer to Note 4.

Segment profit (loss) represents the results by each segment without allocation of central administration costs, directors' salaries, share of results of associates and a joint venture, other non-recurring income and expenses and finance costs. This is the measure reported to the executive Directors of the Company for the purposes of resource allocation and performance assessment.

Segment assets and liabilities are not presented as the chief operating decision makers review the consolidated financial position of the Group as a whole to assess their performance. The management focuses more on the results of the Group.

Geographical Information

The Group's operations are located in Hong Kong, Macau and the Mainland of the People's Republic of China (the "Mainland China").

The Group's revenue from external customers based on the location of the operations and information about its non-current assets (excluding amounts due from an associate and a joint venture, club debentures, other receivable, pledged bank deposit and equity instrument at fair value through other comprehensive income ("FVTOCI")) by geographical location of the assets are detailed below:

5. **SEGMENT INFORMATION** (continued)

	Revenue from external customers		Non-current assets	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	367	829	241,671	52,733
Macau	–	19,949	–	–
The Mainland China	459,682	758,288	8,116,907	8,996,229
	<u>460,049</u>	<u>779,066</u>	<u>8,358,578</u>	<u>9,048,962</u>

Analysis of the Group's revenue by each type of business is set out in Note 4.

6. **OTHER GAINS AND LOSSES**

	2022	2021
	HK\$'000	HK\$'000
Net impairment losses on trade and other receivables reversed	964	182
Net (loss) gain on write off/disposal of property, plant and equipment	(19)	516
Net exchange (loss) gain	(28,577)	10,262
Gain on liquidation of an associate	27	–
	<u>(27,605)</u>	<u>10,960</u>

7. **FINANCE COSTS**

	2022	2021
	HK\$'000	HK\$'000
Interest on borrowing	14,583	21,791
Interest on lease liability	252	479
	<u>14,835</u>	<u>22,270</u>

8. **PROFIT BEFORE TAXATION**

	2022	2021
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	39,755	42,346
and after crediting:		
Other income		
– Interest income	70,210	76,865
– Dividend from unlisted equity instrument at FVTOCI	22,054	23,209
	<u>70,210</u>	<u>76,865</u>
	<u>22,054</u>	<u>23,209</u>

9. TAXATION

	2022 HK\$'000	2021 HK\$'000
The charge (credit) comprises:		
Mainland China Enterprise Income Tax (“EIT”)	55,745	132,544
Mainland China Land Appreciation Tax	75,495	198,781
Macau Complementary Tax	–	820
Dividend withholding tax	5,222	3,659
Underprovision (overprovision) in prior years – Mainland China EIT	5,781	(35,658)
	<u>142,243</u>	<u>300,146</u>
Deferred tax credit	(34,437)	(3,119)
	<u>107,806</u>	<u>297,027</u>

The Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%). No provision for Hong Kong Profits Tax has been made since the assessable profit is wholly absorbed by tax losses brought forward for both years.

The Macau Complementary Tax is levied at 12% (2021: 12%) on the taxable income for the year.

The income tax rate of the subsidiaries in the Mainland China is 25% (2021: 25%).

10. DIVIDEND

In 2022, a dividend of approximately HK\$108,406,000 (2021: HK\$108,406,000) in aggregate was paid to shareholders in respect of the interim dividend for the year ended 31st December, 2021 (2021: interim dividend for the year ended 31st December, 2020).

Subsequent to the end of reporting period, the Directors have declared payment of an interim dividend of 8.50 HK cents per share (2021: 5.50 HK cents per share) amounting to approximately HK\$167,537,000 (2021: HK\$108,406,000) for the year ended 31st December, 2022.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2022 HK\$'000	2021 HK\$'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	<u>17,168</u>	<u>283,448</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,971,025,125</u>	<u>1,971,025,125</u>

No diluted earnings per share is presented as there was no potential ordinary share in issue during both years.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The general credit term of the Group given to trade customers is 60 days. A longer credit period may be granted to customers with long business relationship.

Included in trade and other receivables and prepayments are trade receivables, net of allowance for credit losses and their aged analysis based on invoice date as at the end of the reporting period is as follows:

	2022 HK\$'000	2021 HK\$'000
0 – 3 months	<u>339</u>	<u>364</u>

13. TRADE AND OTHER PAYABLES AND ACCRUALS

Included in trade and other payables and accruals are trade payables and their aged analysis based on invoice date as at the end of the reporting period is as follows:

	2022 HK\$'000	2021 HK\$'000
0 – 3 months	24,125	24,929
4 – 6 months	22	83
7 – 12 months	49	38
Over 1 year	79,121	84,635
	<u>103,317</u>	<u>109,685</u>

INTERIM DIVIDEND FOR THE YEAR ENDED 31ST DECEMBER, 2022

The Board of the Company has declared an interim dividend of 8.50 HK cents per share for the year ended 31st December, 2022 (2021: 5.50 HK cents per share) to shareholders whose names appear on the register of members of the Company on Monday, 8th May, 2023 (the “Record Date”). Shareholders will be given an option to elect to receive shares of HK\$0.50 each in the capital of the Company (the “Share(s)”) credited as fully paid in lieu of cash in respect of all or part of the interim dividend (the “Scrip Dividend Scheme”).

The Scrip Dividend Scheme is conditional upon consent of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) to grant listing of and permission to deal in the new Shares to be allotted thereunder. For the purpose of determining the number of new Shares to be allotted under the Scrip Dividend Scheme, the market value of a new Share will be calculated as an amount equal to 95% of the average of the closing prices per Share traded on the Stock Exchange for the five consecutive trading days up to and including the Record Date. A circular providing full details of the Scrip Dividend Scheme, together with a form of election, will be sent to the shareholders of the Company in due course. Cash dividend warrants and/or share certificates for the scrip dividend are expected to be despatched on Thursday, 15th June, 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

- (a) For the purpose of determining the shareholders who qualify for the interim dividend for 2022, the register of members of the Company will be closed from Thursday, 4th May, 2023 to Monday, 8th May, 2023, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Tricor Secretaries Limited, the Company's share registrar in the Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China ("China"), at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 3rd May, 2023 for registration; and
- (b) The Board of the Company has resolved to convene the annual general meeting of the Company for Thursday, 8th June, 2023 (the "2023 AGM"). For the purpose of determining the shareholders who are entitled to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Friday, 2nd June, 2023 to Thursday, 8th June, 2023, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2023 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with Tricor Secretaries Limited, the Company's share registrar in Hong Kong, at the above address not later than 4:30 p.m. on Thursday, 1st June, 2023 for registration.

GENERAL OVERVIEW

There was a significant decrease in the consolidated profit after taxation of the Group for the year ended 31st December, 2022. The fall in profit was mainly related to the property development and investment business of the Group and it resulted principally from a decrease in the gross proceeds from operations and a drop in gross profit margin attributable to the sale and leasing of the properties under the impact of the COVID-19 pandemic. In addition, an unrealized loss on fair value changes of the investment properties of the Group in Shanghai, China of HK\$75,204,000 (2021: HK\$3,540,000) was recorded upon market valuation as at year end pursuant to applicable accounting standards. Hence, the segment profit of property development and investment business reduced to HK\$98,828,000 for the year under review (2021: HK\$455,963,000).

During the year 2022, the Group recorded a net gain on trading securities investment of HK\$8,161,000 (2021: HK\$12,838,000) while dividend receipts from the long-term equity investment of the Group amounted to HK\$22,054,000 (2021: HK\$23,209,000). Though the administrative expenses and finance costs were reduced, there was a decrease in the interest income to HK\$70,210,000 (2021: HK\$76,865,000) and the Group recorded a net exchange loss of HK\$28,577,000 (2021: net gain of HK\$10,262,000).

As a result, excluding the loss on fair value changes of the investment properties, the Group reported operating profit before taxation of HK\$217,288,000 for the year under review (2021: HK\$591,250,000).

In addition, the Group shared a net loss of a joint venture of HK\$15,289,000 (2021: net gain of HK\$1,342,000).

Taking account of taxation of HK\$107,806,000 (2021: HK\$297,027,000), it was reported a consolidated profit after taxation attributable to shareholders of the Company of HK\$17,168,000 for the year ended 31st December, 2022, a significant decrease of approximately 93.94% as compared with that of HK\$283,448,000 for the corresponding period in 2021. Basic earnings per share amounted to 0.87 HK cents (2021: 14.38 HK cents).

OPERATIONS REVIEW

The Mainland of China, particularly Shanghai, is the principal base of the Group's operations.

For the year ended 31st December, 2022, the property investment segment was the Group's primary profit maker by contributing a segment profit of HK\$94,780,000 (2021: HK\$178,676,000), which was derived from the rental and property management fee from the investment properties of the Group in Shanghai, however, it was partly offset by the unrealized loss on fair value changes of these investment properties upon revaluation at year end.

Securities trading business reported a segment profit of HK\$7,984,000 (2021: HK\$12,580,000) and ranked the second in terms of profit contribution amongst the operating segments of the Group.

The property development and trading segment was the tertiary profit contributor of the Group and this generated a segment profit of HK\$4,048,000 (2021: HK\$277,287,000) which was attributable to the properties sales in Shanghai.

The other business segments of the Group reported loss during the year under review.

Property Development and Investment

Property development and investment remained the core business and the principal source of profit of the Group for the year ended 31st December, 2022 by contributing a total profit of HK\$98,828,000 (2021: HK\$455,963,000). Tomson Riviera was the prime source of operating profit of the Group.

Under the impact of the COVID-19 pandemic, there was a decrease in the revenue from both sale and leasing of the properties. This business segment generated total revenue of HK\$414,688,000 which accounted for approximately 77.79% of the gross proceeds from operations of the Group for the year 2022 and was solely derived from the projects in Pudong of Shanghai. Nevertheless, an unrealized loss on fair value changes of the investment properties of the Group in Shanghai of HK\$75,204,000 was recorded at year end. The project in the Macao Special Administrative Region ("Macao") of China did not record any revenue.

Tomson Riviera, Shanghai

Tomson Riviera is a notable high-rise residential development along the riverfront of Lujiazui of Pudong and right opposite the Bund. There are four residential towers and in order to maximize the return on investment, two residential towers are earmarked for sale while the other two towers are for leasing.

As at 31st December, 2022, the total residential gross floor area available for sale of Towers A and C was approximately 3,200 square meters while of the total residential gross floor area of Towers B and D of approximately 58,400 square meters, about 73% was leased.

For the year 2022, total revenue of HK\$318.68 million was recognized and this accounted for approximately 59.78% of the gross proceeds from operations of the Group. The revenue was principally attributable to sale proceeds with the rest derived from rental income and property management fee. Nevertheless, the Group recorded an unrealized loss on fair value changes of this project of HK\$44.90 million in the annual results of the Group for the year 2022.

As at the end of the year under review, sale deposits of HK\$121.65 million were credited to the Group and such amount was recognized in 2023 as the properties were delivered in early 2023.

Commercial and Industrial Buildings, Shanghai

Rental income and property management fee from the Group's commercial and industrial property portfolio in Pudong, which comprised, inter alia, Tomson Commercial Building, Tomson International Trade Building, Tomson Waigaoqiao Industrial Park, the commercial podium of Tomson Business Centre and the office premises on the entire 72nd Floor of Shanghai World Financial Center, provided a steady recurrent revenue of HK\$93.98 million to the Group and this accounted for approximately 17.63% of the gross proceeds from operations of the Group for the year under review. Rental concessions have been granted to appropriate tenants of some of the aforesaid properties in view of the impact of COVID-19, hence there was a decrease in the rental income. In addition, the Group recorded an unrealized net loss on fair value changes of the aforesaid investment properties of HK\$30.30 million in the annual results of the Group for the year 2022.

Miscellaneous Residential Developments in Shanghai

Tomson Golf Villas and Garden have been developed in phases around the periphery of Tomson Shanghai Pudong Golf Club in Pudong since 1996 and there are now less than ten residential units and around one hundred car parking spaces available for sale. During the year under review, the project recognized revenue of HK\$2.03 million from leasing of the residential units and this represented approximately 0.38% of the gross proceeds from operations of the Group.

In addition, the Group holds less than ten car parking spaces at Xingguo Garden, the sole residential development of the Group in Puxi, for sale.

Jinqiao Town Project, Shanghai

The Group holds three land lots with aggregate site area of approximately 328,687.5 square meters located in Jinqiao Town of Pudong and to the north of a stream named Zhangjiabang for residential purpose. Real estate ownership certificates of the said land lots were obtained in June 2020. The development of the project is scheduled to be phased over the coming four years.

The first phase of the project is a low-density residential development with total gross floor area of approximately 25,900 square meters and the construction works are under way. Subject to the policies of and approval from the local government, it is expected to launch the first phase for sale in the third quarter of 2023 and deliver the properties to the buyers in the first half of 2024.

Construction of the second phase of the residential development of the project started in November 2022. It comprises low-rise apartment buildings with total residential gross floor area of approximately 61,300 square meters. It is now targeted to commence the construction of the third and fourth phases within 2023 and they would provide total residential gross floor area of approximately 200,000 square meters. The construction works of the last phase with total residential gross floor area of approximately 29,400 square meters are expected to be resumed in 2024.

One Penha Hill, Macau

The Group holds a 70% interest in the development of a luxury residential condominium, namely One Penha Hill, at Penha Hill within a designated World Heritage Zone of Macau.

The project is earmarked for sale purpose and no revenue was generated during the year under review under the impact of the pandemic. As at 31st December, 2022, residential units with saleable area of approximately 6,700 square meters were available for sale.

Hospitality and Leisure Industry

Tomson Shanghai Pudong Golf Club, Shanghai

The Group operates an 18-hole golf course of international standards, Tomson Shanghai Pudong Golf Club, in Pudong of Shanghai. Owing to the COVID-19 condition of the Mainland of China during the year under review, the golfing activities were reduced and the Club was closed from mid-March to the end of May 2022. The Club generated revenue of HK\$44,994,000, being approximately 8.44% of the gross proceeds from operations of the Group, and reported gross profit of HK\$21.55 million for the year ended 31st December, 2022. The revenue was mainly attributable to golfing activities of the Club and the annual membership fee was the secondary source of income. After making provision for depreciation of fixed assets, the Club reported a segment loss of HK\$8,923,000 for the year under review (2021: profit of HK\$12,892,000).

InterContinental Shanghai Pudong, Shanghai

The Group holds a 50% interest in InterContinental Shanghai Pudong hotel in Lujiazui of Pudong. The hotel was requisitioned by the local government for provision of quarters to the medical professionals from other provinces from late March 2022 owing to the spreading of the COVID-19 and it resumed business in mid-June 2022. The hotel operation was negatively impacted again by the pandemic outbreak in the Mainland of China in the end of December 2022. As a result, the hotel reported an average occupancy rate of approximately 24% during the year under review and the Group shared a net loss of HK\$15,289,000 from this investment (2021: net profit of HK\$1,342,000). It is expected that the economic activities will recover and the operation results of the hotel will be improved in 2023 since the travel restriction and epidemic prevention measures have been relaxed all over the world. The hotel management will continue to focus on controlling operating costs, increasing marketing efforts on guest rooms operations and food and beverage operations to maintain the profitability of the hotel.

Securities Trading

For the year under review, the Group's securities trading business in Hong Kong reported revenue of HK\$73,029,000 and this accounted for approximately 13.70% of the gross proceeds from operations of the Group. The revenue was mainly attributable to gross proceeds from sale of trading securities while the dividend income from those securities was the secondary source. After taking into account an unrealized gain on changes in fair value, a net gain on the trading securities investments held by the Group of HK\$8,161,000 (2021: HK\$12,838,000) was recorded.

As at 31st December, 2022, the aggregate fair value of the Group's securities investments held for trading amounted to HK\$36,724,000, representing approximately 0.20% of the Group's total assets. Those were securities in the financial industry.

Media and Entertainment Business

The Group has participated in the production of live entertainment shows for years and also set up its film distribution business in 2011. Suffering from the COVID-19 pandemic, gross revenue received and receivable from this segment for the year ended 31st December, 2022 only amounted to HK\$367,000 and this accounted for approximately 0.07% of the Group's gross proceeds from operations. The revenue for the year under review was solely derived from investments in the production of live entertainment shows and a segment loss of HK\$650,000 (2021: HK\$622,000) was recorded. The Group intends to continue in participating in investments in various live performances under appropriate conditions in the future.

Investment Holding

In addition to its own property development projects, the Group holds a 13.483% interest in the registered capital of Shanghai Zhangjiang Micro-electronics Port Co. Ltd. (“SZMP”) as a long-term equity investment and the fair value of this investment amounted to HK\$312,824,000, representing approximately 1.66% of the Group’s total assets, as at 31st December, 2022. SZMP is an unlisted company established in Shanghai and is principally engaged in property development and investment in Shanghai. Dividend of HK\$22,054,000 (2021: HK\$23,209,000) was received from SZMP during the year under review and an unrealized gain on change in fair value of such investment of HK\$44.24 million was credited to the investment reserve of the Group in 2022 (2021: HK\$26.56 million) pursuant to applicable accounting standards.

Discloseable Transaction

As disclosed in an announcement on successful tender of property published by the Company on 7th August, 2022, the Group’s tender for an office premises situated at the whole 13th Floor of Tower II, Admiralty Centre, Hong Kong (the “Property”) at the purchase price of HK\$193 million has been accepted by the vendor (acting through the receivers) and the receivers. The acquisition of the Property constituted a discloseable transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and was completed in September 2022. The Group has obtained the legal title of the Property and is recovering the possession of the Property through legal procedures.

The Property is situated in a Grade A commercial-cum-office building and is in a strategic location in the key financial and commercial district on the Hong Kong Island. It is accessible to key Hong Kong Mass Transit Railway stations that not only provide convenient transport within Hong Kong but also provide easy check-in to the Hong Kong International Airport and accessible to Western part of Kowloon Peninsula that provides transportation to the Mainland of China. The Board considers the acquisition a strategic long-term investment for the Group, as it is believed that Hong Kong will remain as a major international city and benefit from the favourable Greater Bay Area policy of the Hong Kong Government and the strong economic growth of the Mainland of China. The acquisition enhances the property investment portfolio of the Group and it is expected that it will generate stable recurring rental income and further strengthen the long-term development of the Group in Hong Kong. The Property may be used as the Company’s headquarter in Hong Kong at opportune time.

FINANCIAL REVIEW

Liquidity and Financing Position

As at 31st December, 2022, total assets of the Group decreased by approximately 8.47% to HK\$18,795,314,000 (2021: HK\$20,534,605,000). Equity attributable to owners of the Company was HK\$12,388,347,000 (2021: HK\$13,500,950,000) in total, or approximately HK\$6.29 (2021: HK\$6.85) per share, representing a decrease of approximately 8.18% which was mainly attributable to depreciation in value of Renminbi during the year under review.

The Group’s operations and investments for the year ended 31st December, 2022 were funded by cash on hand, revenue from operating and investing activities, and bank borrowings.

At the end of the reporting period, the cash and cash equivalents of the Group amounted to HK\$3,966,071,000 (2021: HK\$4,445,869,000), a decrease of approximately 10.79%. During the year under review, the Group achieved net cash inflow of HK\$114,847,000 from its operating activities. After taking into account net cash outflows of HK\$89,252,000 and HK\$161,841,000 from its investing and financing activities respectively, the Group recorded a net decrease in cash and cash equivalents of HK\$136,246,000 (2021: net increase of HK\$639,654,000). The net cash outflow for the year under review was mainly attributable to the acquisition of the Property and the Company's payment of interim dividend for the year 2021.

Cash and cash equivalents of the Group are mainly denominated in the local currencies of the jurisdictions in which it operates. Hence, of the Group's cash and cash equivalents of HK\$3,966,071,000 as at 31st December, 2022, around 93.61% and 4.95% were denominated in Renminbi and Hong Kong Dollar respectively.

As at 31st December, 2022, excluding contract liabilities which represented the deposits received from sale of properties, of the liabilities of the Group of HK\$5,967,079,000 (2021: HK\$6,487,567,000), about 63.62% were taxation under current liabilities, about 18.64% were deferred tax liabilities, about 13.60% were trade and other payables and accruals, about 4.07% were borrowing and the remainder was lease liability.

The Group's borrowing as at 31st December, 2022 amounted to HK\$242,451,000 (2021: HK\$294,333,000), equivalent to approximately 1.96% (2021: 2.18%) of the equity attributable to owners of the Company at the same date. The borrowing was in Renminbi, under security and subject to floating interest rates. Of the borrowing, approximately 11.11% was due for repayment within one year from the end of the reporting period, approximately 11.11% was repayable more than one year but not exceeding two years from the end of the reporting period, approximately 33.33% was due for repayment more than two years but not exceeding five years from the end of the reporting period while the remaining 44.45% was repayable more than five years from the end of the reporting period. The Group did not employ any other financial instruments for financing and treasury management.

At the end of the reporting period, the Group had commitments in relation to expenditure on properties under development of HK\$384,951,000 (2021: HK\$428,732,000) which were contracted but not provided for. The Group anticipates that these commitments will be funded from its future operating revenue, bank borrowings and other sources of finance where appropriate.

As at 31st December, 2022, the Group recorded a current ratio of 2.12 times (2021: 2.15 times) and a gearing ratio (total liabilities to equity attributable to the owners of the Company) of 49.15% (2021: 49.60%). There was no significant change in both the current ratio and gearing ratio.

Charge on Assets

As at 31st December, 2022, assets of the Group with an aggregate carrying value of HK\$476,321,000 (2021: HK\$544,173,000) were pledged for securing the Group's borrowing of HK\$242,451,000 (2021: HK\$294,333,000).

Foreign Exchange Exposure

The majority of the Group's assets and liabilities are denominated in Renminbi, and the liabilities are well covered by the assets. Should there be a depreciation in value of Renminbi, there may be an adverse impact on the Group's results and net asset value. The other assets and liabilities of the Group are denominated in either Hong Kong Dollar or United States Dollar. Hence, the Group anticipates that the exchange risk exposure is manageable.

Contingent Liabilities

The Group had no material contingent liabilities as at 31st December, 2022 (2021: Nil).

PROSPECTS

The spread of COVID-19 has inflicted serious blows and disruptions to economic, business and social activities worldwide for years. The military conflicts between Russia and Ukraine and the associated economic sanctions against Russia have further led to severe uncertainties in the financial and political situation of the whole world and even food and energy crises. The recent tense relation between China and USA have further exacerbated the global political and economic situation. The Board of the Company would pay great attention to the development in the international situation when contemplating any future development of the Group, especially any new investment plans. Whilst property development and investment will remain the focus of the Group's business and investment strategies, the Group will continue to explore and evaluate prudently other potential investment opportunities. It will be the objective of the Group to maintain an optimum balance in the allocation of its resources both geographically and in different business segments.

The Group remains optimistic about the economic situation of the Mainland of China. It has built up its reputation as a developer of high-end residential properties in the Mainland and has confidence in the underlying demand for properties catering to a high-income middle class and high net-worth individuals in the Mainland in the long run. The Group will endeavour to maintain the momentum in its sale and leasing plans for the property portfolio in Shanghai and Macau. It is anticipated that Tomson Riviera and One Penha Hill will be the Group's principal sources of profit in the year 2023. At the same time, the Group is actively proceeding with the construction works and preparing for the sales plan of Jinqiao Town project in Pudong, Shanghai and this project will form an important component of the Group's property development and investment segment and will be the major profit contributor in next few years.

In light of volatility in the Hong Kong and global financial markets and economic conditions, the management will continue to adopt a conservative approach in managing the securities trading portfolio of the Group, with an emphasis on securities with steady recurrent yield.

Though COVID-19 is still considered a pandemic and is infectious, the travel restriction and epidemic prevention measures have already been relaxed all over the world. It is cautiously optimistic to the recovery of the economy following the resumption of the social activities. The Group will continue to monitor the situation closely and any financial impact on the operations of the Group, should this happen, would be reflected in the financial statements of the Group for the financial year 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December, 2022, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company has reviewed the Company's corporate governance practices and considers that the Company has complied with all the applicable code provisions set out in Part 2 of Appendix 14 to the Listing Rules, the Corporate Governance Code (the "CG Code"), during the year ended 31st December, 2022 and up to the date of this annual results announcement, except that:

- (a) Madam Hsu Feng takes up both the posts of Chairman of the Board and Managing Director of the Company. While this is a deviation from the CG Code, dual role leadership provides the Group with a strong and consistent leadership and allows for more effective operation of the business. The Board is of the view that adequate check and balance of power is in place. Responsibilities for the Company's daily business management are shared amongst Madam Hsu and other members of the Executive Committee of the Board. Besides, all major decisions are made in consultation with members of the Board or appropriate committees of the Board in accordance with the provisions of the code on risk management and internal control of the Group; and
- (b) the management was not able to provide the Board with monthly updates of the Group's performance and financial position in April 2022 owing to facing difficulty in collating information from various operation units in Shanghai of China, where is the Group's principal operation base, subject to the lockdown measures imposed by the local government under the impact of the epidemic. Other than that, monthly updates were provided regularly during the year 2022.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT FOR THE YEAR 2022

This annual results announcement is published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited and on the Company's website. The Annual Report 2022 of the Company will be despatched to the shareholders of the Company by the end of April 2023 and will be available on the above websites.

On behalf of the Board of
TOMSON GROUP LIMITED
Hsu Feng
Chairman and Managing Director

Hong Kong, 30th March, 2023

As at the date of this announcement, the Board of the Company comprises three executive Directors, Madam Hsu Feng (Chairman and Managing Director), Mr Albert Tong (Vice-Chairman) and Mr Tong Chi Kar Charles (Vice-Chairman), and four independent non-executive Directors, Mr Cheung Siu Ping, Oscar, Mr Lee Chan Fai, Mr Sean S J Wang and Mr Ng Chi Him.